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DOC Exempt Letter On FileEXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEESecond European EDO Conference PapersU. S. Licensing Policies, Enforcement and Compliance ActionIV. F. (A) U. S. Licensing Policies(1) Soviet Bloc

U. S. licensing to the Soviet Bloc, other than communist China and North Korea, is based on the premise that the U. S. has no desire to withhold non-strategic goods and that trade in such goods is permissible although not necessarily encouraged by the U. S. Government. There are three general exceptions to this policy: (1) items in short supply in the U. S.; (2) subsidized agricultural products in U. S. Government stocks; and (3) a few specified items, which, although not strategically rated, are deemed to present U. S. public opinion problems if shipped to the Bloc (e.g., portable metal bridges).

With regard to strategic goods, the strategic rating scheme employed by COCOM is generally paralleled in the U. S. Master Export Security List, with Parts C-I, C-II, and C-III being equivalent to IL I, II, and III. In addition, Part C-IV of MESL contains items to be unilaterally controlled to the Bloc by the U. S. Such unilateral control is based on the unique or predominant world-wide supply position of the U. S. (4(a) items) or the public opinion factor mentioned above (4(b) items). U. S. licensing policy does not fully parallel the practice of COCOM countries, however, since at the present time zero quotas have been established for all C-II and a number of C-III items. The balance of C-III items may ("S" items) be licensed after giving weight to such factors as the cumulative effect of previous U. S. licensing, the level of total free-world trade in the item with the Bloc, and intelligence information bearing on shortages in the Bloc bearing on Soviet war potential. Antibiotics, although not listed in MESL, may not be licensed to the Soviet Bloc except as part of gift parcels or for distribution by appropriate eleemosynary organizations.

(2) Friendly Countries - General

Shipment of non-strategic goods requires no validated license to friendly countries and strategic goods are freely licensed unless such goods make possible the exportation of rated goods by these countries to the Soviet Bloc, and thus frustrate U. S. licensing controls to the Bloc. However, licenses are not denied for strategic goods unless such action will in fact eliminate or reduce significantly shipment by the friendly country to the Bloc of rated goods. Actions under the non-frustration policy are not taken as a substitute for negotiation leading toward agreed international levels of control.

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(3) Friendly Countries - Special Destinations

(a) Austrian Licensing Policy

Based on individual consignee checks made in Austria for all proposed exports involving strategic materials. Recommendations made directly to BFC by the Austrian Trade Advisory Panel (TAP).

(b) Licensing Policy for Finland

Licenses approved except for military goods and C-I and C-II items when Finland is supplying like items to the Bloc. Denials not made when such action would (1) force greater reliance on Russia, (2) cause undue economic hardship, and (3) cause Russian retaliation against Finland.

(c) Indo-China Licensing Policy

Communist-controlled areas: deny all applications except for reasonable quantities of non-strategic goods for local consumption.

Haiphong Enclave: approve non-strategic goods rather freely for use in the Enclave and strategic goods only in the exceptional case related to the purpose of the evacuation.

Free Viet-Nam, Cambodia, and Laos: no control on non-strategic goods, but approval of strategic goods in reasonable quantities in the free area. Extensive use of pre-licensing checks to determine consignee reliability.

(d) Licensing Policy for Hong Kong

Approve Positive List and rated items, provided no inventory accumulation, no movement of the items regardless of origin from Hong Kong to communist China, and no other security risks. Approve non-rated, non-Positive List items, provided no inventory accumulation and no significant movement of U. S. origin goods to China. General license for non-strategic items which reflect lack of China demand.

(e) Licensing Policy for Macao

Deny rated and short supply items except under special circumstances. Approve others to meet demonstrated short term requirements for local consumption.

(4) U. S. Licensing Policy for Communist China and North Korea

No changes. Embargo. Gift parcels permitted for interned U. S. nationals.

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IV. F. (B) Enforcement and Compliance Action

U. S. export control enforcement has two main objectives -- preventing illegal transshipments of strategic U. S. goods to Soviet Bloc countries, and preventing abuses of the integrity of the export licensing and Customs clearance systems. When, despite all reasonable precautions, illegal acts occur, enforcement becomes concerned with the detection, investigation and prosecution of the wrongdoers, and even more importantly, the creation of new and better procedures designed to prevent repetition.

U. S. or foreign nationals may become involved in these enforcement activities and appropriate sanctions have been devised to deal with both. BFC's Investigation Staff is equipped to deal with the U. S. firms and individuals, but it must rely very heavily on help from Economic Defense Officers to uncover violations occurring abroad and to provide the evidence necessary to punish the violators. In working with Economic Defense Officers on these cases, BFC takes into account country problems of policy and procedure, and endeavors to limit its requests for investigative aid to the capacity of the foreign service post to handle within the framework of local conditions.

Since the August changes in the commodity lists, BFC has been re-examining its enforcement program and has determined to intensify its efforts in the transshipment field as this seems to be the area in which the most serious violations are now appearing.